

SESSION 5

VERIFICATION

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SOURCES FOR FURTHER STUDY

- ◆ Higher Education Act, Section 484 (f)
- ◆ Federal Regulations 34 CFR, Part 668, Subpart E
- ◆ The Verification Guide, 1996-97
- ◆ The Counselor's Handbook, 1996-97

INTRODUCTION**Notes**

Verification is process of monitoring and ensuring accuracy of applicant data.

WHEN VERIFICATION MUST BE PERFORMED**Programs Covered**

REQUIREMENTS FOR STUDENT FINANCIAL AID PROGRAMS
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Verification is required for:

- ✓ Federal Pell Grant Program
- ✓ Subsidized Federal Direct Stafford/Ford Loan Program
- ✓ Subsidized Federal Stafford Loan Program
- ✓ Campus-Based Programs

Verification is NOT required for:

- ✓ State Student Incentive Grant (SSIG) Program unless school is certain that applicant's state grant contains federal funds
- ✓ Unsubsidized Federal Direct Stafford/Ford Loan Program
- ✓ Unsubsidized Federal Stafford Loan Program
- ✓ Federal Stafford Loans awarded for study at eligible foreign school
- ✓ Federal Direct PLUS Loan Program
- ✓ Federal PLUS Loan Program
- ✓ Robert C. Byrd Honors Scholarship Program
- ✓ Schools participating in Quality Assurance (QA) Program

Notes

Selection for Verification

Selection for Verification

- ◆ Applicants selected by Central Processing System (CPS)
- ◆ Applicants selected based on school criteria



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Applicants Selected by CPS

Applicants Selected by CPS

- ◆ Edit checks identifying inconsistencies and mistakes
- ◆ Random selection



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Notes

Output Documents

- ◆ Student Aid Report (SAR);
- ◆ SAR Information Acknowledgment; or
- ◆ Institutional Student Information Record (ISIR)

- Official EFC on SAR or ISIR
- Verification asterisk (*) next to EFC on SAR and SAR Information Acknowledgment
- Verification flags on ISIR
- Verification selection codes on SAR and ISIR

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FAA Information Section on Student Aid Report (SAR) and Institutional Student Information Record (ISIR) lists verification selection codes that indicate selection reason and priority. Code 1 is highest priority, and code 25 is lowest priority.

30 Percent Verification Option

30% Option

- ◆ Process is optional for school
- ◆ Process requires school to verify maximum of 30% of total CPS applicant pool
- ◆ Schools may decide to verify more than 30%



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Applications selected by school do not count toward 30 percent cap.

Notes

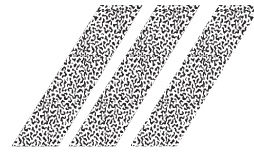
1. If *fewer than 30 percent* of applicants are selected by Central Processing System (CPS) edits, school must verify all CPS-selected applicants.

2. If *more than 30 percent* of applicants are selected by CPS, school must note in file of any CPS-selected applicant who is not verified the reason why verification was not completed.

Each school defines its “total applicants.” However, it always must resolve conflicting data elements on all applications.

Examples 1 and 2

30% Verification Option



Objective

- ◆ To illustrate the use of the 30% verification option.

Example 1

Background: Edward College has a total enrollment of 10,000 students. The school defines its applicant pool as the total number of financial aid applications received by the college. The school has determined that it receives a total of 1,500 applications for federal financial assistance each year. Of this total number, the CPS selects 500 for verification. What are the school's options?

Solution: The school has the option to:

- A. Verify all 1,500 applications, which would constitute 100% verification of the school's total applicant pool;
- B. Verify all 500 applications selected for verification; or
- C. Verify 30% (450) of the applications selected for verification. Once the school verifies 30% (450), it does not have to verify any other applications selected by the CPS.

Note: In Options B and C, the school is also responsible for resolving conflicting information for applicants not selected for verification as well as for selected applicants outside the 30% limit.

Example 2

Background: Jamison Conservatory has a total enrollment of 1,500 students. The school defines its applicant pool as the total number of applications received from enrolled students, which equals approximately 800 applications annually. The school received 200 applications selected by the CPS for verification and identified 100 applications for institutional verification based on its own criteria. The school also identified 35 applications that had conflicting information and were not selected for verification by the CPS or the institution. The total number of applications identified for verification, 335, exceeds the 30% cap. Can the school verify only 30% of the 335 applications identified?


Solution: No. The school must verify all 200 applicants selected by the CPS as this number does not exceed 30% ($30\% \text{ of } 800 = 240$). Neither the 100 applications identified by the school for institutional verification nor the 35 applications with conflicting information count toward the 30% verification. A school is always responsible for resolving conflicting information even if the application was not selected for verification by the CPS or by the institution.

Notes

Applications Selected Using School Criteria

School Criteria

- ◆ School determines data elements verified
- ◆ Selection does not count in 30% option



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You must verify school-selected data items according to applicable verification rules and resolve conflicting information.

EXCLUSIONS FROM VERIFICATION

Exclusions listed on following chart do not apply to questions about a student's eligibility raised by CPS database matches or to requirement to resolve conflicting data.

EXCLUSIONS FROM VERIFICATION*

Dependent Applicants	Independent Applicants
<p>A. Applicant and parents are:</p> <ol style="list-style-type: none"> 1. Legal residents of the Commonwealth of the Northern Mariana Islands, Guam, or American Samoa; or 2. Citizens of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau. <p>B. Applicant incarcerated at time of verification.</p> <p>C. Transfer applicant if:</p> <ol style="list-style-type: none"> 1. Application verified at previous school; and 2. Current school obtains documentation from previous school stating: <ol style="list-style-type: none"> a. Application verified; b. Transaction number of verified application; and c. If applicable, reason why EFC not recalculated. <p>D. Death of applicant (regardless of conflicting data).</p> <p>E. Applicant who attends a foreign school that participates in the Federal Stafford Loan Program.</p> <p>F. Immigrant to U.S. during either calendar year of the award year.</p> <p>G. Applicant not receiving aid from affected programs.</p> <p>H. Parental information if:</p> <ol style="list-style-type: none"> 1. Parents are deceased (applicant is automatically independent); 2. Parents are physically or mentally incapacitated; 3. Parental address is unknown; 4. Parents reside outside U.S. and cannot be contacted by normal communication. 	<p>A. Applicant is:</p> <ol style="list-style-type: none"> 1. Legal resident of the Commonwealth of the Northern Mariana Islands, Guam, or American Samoa; or 2. Citizen of the Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau. <p>B. Applicant incarcerated at time of verification.</p> <p>C. Transfer applicant if:</p> <ol style="list-style-type: none"> 1. Application verified at previous school; and 2. Current school obtains documentation from previous school stating: <ol style="list-style-type: none"> a. Application verified; b. Transaction number of verified application; and c. If applicable, reason why EFC not recalculated. <p>D. Death of applicant (regardless of conflicting data).</p> <p>E. Applicant who attends a foreign school that participates in the Federal Stafford Loan Program.</p> <p>F. Immigrant to U.S. during either calendar year of the award year.</p> <p>G. Applicant not receiving aid from affected programs.</p> <p>H. Spouse s information if:</p> <ol style="list-style-type: none"> 1. Spouse is deceased; 2. Spouse is physically or mentally incapacitated; 3. Spouse s address is unknown; 4. Spouse resides outside U.S. and cannot be contacted by normal communication.

* Not applicable if school has reason to believe data to be incorrect, except in case of deceased applicant.

Notes

Student's file should contain reason for exclusion from verification and any applicable documentation.

Quality Assurance (QA) Program schools are exempt from verification requirements but not requirement to resolve conflicting application data.

INTERIM DISBURSEMENT OPTIONS

Unless a reason exists to believe applicant data are inaccurate, school has option to make interim disbursement of certain Title IV funds prior to completing verification.

Federal Pell Grant and Campus-Based Programs

- ◆ Interim disbursement options
 - Withhold payment; or
 - Make 1 disbursement for first payment period and allow FWS employment for up to 60 consecutive days

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Subsidized Federal Stafford and Direct Loans

- ◆ Interim disbursement options
 - Do not certify Subsidized Federal Stafford application or originate Direct Loan; or
 - Certify Subsidized Federal Stafford application or originate Direct Loan and hold loan proceeds until verification is completed



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Federal Pell Grant and Campus-Based Programs

Notes

If interim disbursements were made and verification shows student is not eligible for funds, amount disbursed becomes an overpayment.

Federal Pell Grant and Campus-Based Programs

- ◆ Require student to repay overaward; school liable for student nonpayment
- ◆ FWS: School liable for overpayment; must reimburse program from own funds



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Subsidized Federal Stafford Loan and Federal Direct Subsidized Loan Programs

Subsidized Federal Stafford and Direct Loans

- ◆ No conflicting information, certify Subsidized Federal Stafford application and originate Direct Loan
- ◆ May not deliver proceeds until verification completed

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Notes

Subsidized Federal Stafford and Direct Loans (cont'd)



- ◆ Hold FFEL funds for:
 - 10 business days after date school receives EFT or master check on or after July 1, 1997
 - 3 business days after date school receives EFT or master check on or after July 1, 1999
 - 30 days after receiving individual checks for borrower
- ◆ Hold Direct Loan funds for 3 days

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Example 3

Interim Disbursements



Objective

- ◆ To illustrate when it is permissible to make an interim disbursement.

School Information

- ◆ The policy at LaRue Institute is to make tentative awards to all students selected for verification if they turn in a valid SAR and submit signed verification documentation.
- ◆ The first disbursement occurs during fall semester for all tentative awards.

Student Information

- ◆ Sandra is enrolled for fall semester as a full-time student. She was selected for verification by the CPS, and the school has no conflicting information. She received a tentative award for the fall and spring semesters offering the following aid sources:

\$1,000	Federal Pell Grant (\$500 fall and \$500 spring)
\$500	FSEOG (\$250 fall and \$250 spring)
\$2,000	Federal Direct Subsidized Loan (\$1,000 fall and \$1,000 spring)
\$3,000	FWS (\$1,500 fall and \$1,500 spring)

Task

- ◆ Determine when payment of federal student financial aid is permitted.

Example 3: Interim Disbursements (cont'd)

Solution

◆ Determine when payment of federal student financial aid is permitted.

Since the school has no reason to believe that the application information is incorrect, an interim disbursement is permissible.

For the first payment period, Sandra is eligible to receive the fall semester disbursements of:

\$500	Federal Pell Grant
\$250	FSEOG

The school may originate the loan record for the Federal Direct Subsidized Loan; however, the loan proceeds may not be disbursed to Sandra until the verification process has been completed.

Sandra may begin employment under the FWS program for 60 consecutive days after she is enrolled. If verification is not completed after 60 days, she must cease working.

◆ Overpayments

The school is liable for overpayments that result from making an interim disbursement before completing verification.

If the student's awards exceed the student's need after verification has been completed, the school has the option of reducing or canceling aid over which the school has control. If the school cannot recover the overpayment through these methods, the school must reimburse the appropriate program account using institutional funds. The reimbursement must be made within 60 days following the student's last day of enrollment or by the last day of the award year, whichever comes first.

DATA ELEMENTS TO BE VERIFIED AND ACCEPTABLE DOCUMENTATION

Notes

Required Data Elements

- ◆ Base-year AGI or income earned from work for non-tax filer
- ◆ U.S. income tax paid, base year
- ◆ Household size
- ◆ Number attending postsecondary school
- ◆ Base-year earned income credit

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Required Data Elements (cont'd)

- ◆ Base-year other untaxed income and benefits
 - Social Security benefits
 - Child support received
 - Untaxed payments to IRA/Keogh plans
 - Foreign income exclusion
 - Interest on tax-free bonds
 - Other untaxed income included on U.S. income tax return (excluding schedules)

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REQUIRED VERIFICATION DATA ELEMENTS AND DOCUMENTATION

Required income data elements that are verified are always for base year. For 1997-98, the base year is 1996. Following chart lists required verification items and acceptable documentation for verification process.

REQUIRED VERIFICATION ITEMS AND ACCEPTABLE DOCUMENTATION

Required Verification Item	Acceptable Documentation	Comments
Base-Year AGI and Taxes Paid	<ul style="list-style-type: none"> ◆ IRS Forms 1040, 1040A, 1040EZ, 1040PC, and 1040T and IRS TeleFile; Also, Form W-2 to divide income if joint return filed for person who is widowed, separated, or divorced ◆ Copy of foreign tax return ◆ Income tax return required by tax code of the Commonwealth of Puerto Rico, Guam, American Samoa, the Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or Palau ◆ IRS Letter 1722 (tax listing) 	<ul style="list-style-type: none"> ◆ Student's tax return must be signed by student (or spouse) or by the tax preparer (or using tax preparer's stamp). ◆ Parent's tax return must be signed by at least 1 parent or by tax preparer (or using tax preparer's stamp). ◆ If IRS extension for filing is obtained, copies of all Forms W-2, IRS Form 4846 or IRS Notice of Approval and a copy of return when filed or signed statement of earnings are required, if self-employed.
Income for Non-Tax Filer	<ul style="list-style-type: none"> ◆ Signed statement of non-tax filing with sources and amounts of income ◆ Properly completed verification worksheet 	
Base-Year Earned Income Credit	<ul style="list-style-type: none"> ◆ IRS Forms <ul style="list-style-type: none"> ¥ 1040/1040PC, line 54 ¥ 1040A, line 29C ¥ 1040EZ, line 8 	
Other Untaxed Income Included on Tax Return ¥ Untaxed payments to IRA and/or Keogh plans	<ul style="list-style-type: none"> ◆ IRS Forms <ul style="list-style-type: none"> ¥ 1040/1040PC, lines 23A, 23B, and 27 ¥ 1040A, line 15C 	<ul style="list-style-type: none"> ◆ If Letter 1722 is used to verify AGI, elements of untaxed income may not appear.
¥ Foreign income exclusion	<ul style="list-style-type: none"> ◆ IRS Forms <ul style="list-style-type: none"> ¥ 2555, line 43 ¥ 2555EZ, line 18 	
¥ Interest on tax-free bonds	<ul style="list-style-type: none"> ◆ IRS Forms <ul style="list-style-type: none"> ¥ 1040/1040PC, line 8B ¥ 1040A, line 8B 	
¥ Other untaxed income from U.S. income tax return (excluding schedules)	<ul style="list-style-type: none"> ◆ IRS Forms <ul style="list-style-type: none"> ¥ 1040 ¥ 1040PC 	<ul style="list-style-type: none"> ◆ Tax returns can contain other items of untaxed income that become conflicting documentation and must be resolved before disbursements are made.

REQUIRED VERIFICATION ITEMS AND ACCEPTABLE DOCUMENTATION (CONT'D)

Required Verification Item	Acceptable Documentation	Comments
Other Untaxed Income ¥ Social Security benefits	<ul style="list-style-type: none"> ◆ IRS Forms <ul style="list-style-type: none"> ¥ 1040/1040PC, lines 20A and 20B ¥ 1040A, lines 13A and 13B ◆ Properly completed verification worksheet ◆ Documentation from Social Security Administration showing total amount of benefits received ◆ Statement signed by applicant (and parent for dependent students) certifying accuracy of benefits reported 	<ul style="list-style-type: none"> ◆ School is not required to verify Social Security benefits unless it has a reason to believe that benefits were received and not reported or reported incorrectly.
¥ Child support received	<ul style="list-style-type: none"> ◆ Properly completed verification worksheet ◆ Signed written statement confirming the amount of child support received for all children in the household ◆ Additional source documentation such as: <ul style="list-style-type: none"> ¥ Copy of separation agreement or divorce decree showing amount of child support to be provided; ¥ Statement from parent providing support showing amount provided; or ¥ Copies of canceled support checks or money order receipts 	<ul style="list-style-type: none"> ◆ School does not have to verify child support if the applicant reports same amount that was verified in the previous year. ◆ For dependent students, statement must be signed by the applicant and parent. ◆ For independent students, the statement must be signed by the applicant.

REQUIRED VERIFICATION ITEMS AND ACCEPTABLE DOCUMENTATION (CONT'D)

Required Verification Item	Acceptable Documentation	Comments
Household Size	<ul style="list-style-type: none"> ◆ Properly completed verification worksheet ◆ Signed statement by the applicant (and at least one parent for dependent students) listing names of household members, their relationship to applicant, and their ages 	<ul style="list-style-type: none"> ◆ Verification of household size is not required when: <ul style="list-style-type: none"> ¥ SAR or ISIR received within 90 days of date application was signed; ¥ Household size is same number reported for and verified in previous award year; ¥ For dependent students, parents are married and reported household size is 3; or parent is single, divorced, separated, or widowed and reported household size is 2; or ¥ For independent students, applicant is married and reported household size is 2; or applicant is single, divorced, separated, or widowed and reported household size is 1.
Number in Postsecondary Education	<ul style="list-style-type: none"> ◆ Properly completed verification worksheet ◆ Signed statement by the applicant (and at least one parent for dependent students) listing names and ages of those enrolled and name of school they plan to attend ◆ Documentation from each school listed by student 	<ul style="list-style-type: none"> ◆ List should include individuals in household size who will be attending school at least half-time. ◆ Verification of number in postsecondary education is not required when: <ul style="list-style-type: none"> ¥ Output document received within 90 days of date application was signed; ¥ Reported number equals 1, the applicant; or ¥ Family members listed can be confirmed through school's records.

Base-Year Income Included on U. S. Income Tax Return**Notes***Acceptable Tax Return Formats*

School may accept:

1. Facsimile or photocopy of signed return filed with Internal Revenue Service (IRS);
2. Signed tax form completed to duplicate filed return;
3. Signed Form 1040PC (i.e., an electronic tax return filed using a personal computer); or
4. Signed electronic tax return filed through tax preparer or company if return contains all data normally provided on IRS tax return.

If tax return filed with a central government outside United States, value of foreign income and taxes paid should be reported on application in U.S. dollars using exchange rate at time of application.

Dividing Income on Joint Tax Returns

If applicant or a dependent applicant's parent filed a joint return but is now widowed, divorced, or separated, school must determine applicant's or parent's income and taxes paid as follows:

1. Using income figures from individual's Form W-2, add income from joint return representing that individual's personal income.

Notes

a. Assess at 50 percent:

1) Any business income or interest earned on joint accounts or investments; and

2) Any business or farm losses.

2. Reduce individual's portion of adjusted gross income (AGI) by that individual's portion of any income adjustments (e.g., IRA deductions, alimony paid, or Keogh plans).

3. Compute taxes paid on individual's AGI according to one of following methods:

a. Use **IRS Tax Rate Schedule** for appropriate year and calculate amount of tax that would have been paid had a separate return been filed; or

b. Use **Proportional Distribution** to determine percentage of joint AGI attributable to individual, and assess joint tax paid by same percentage.

Alternative Sources of Documentation

If tax return is not available from tax filer, you may accept:

1. IRS listing of tax return information (IRS Letter 1722) signed or stamped by appropriate IRS regional official if school receives the form directly from student. If IRS listing is mailed directly to school from IRS, no official signature is required; or

Notes

2. Return From Taxpayer (RTFTP) form (i.e., a computerized summary of tax account information provided by IRS Regional Service Center).

RTFTP must be signed by student (and at least one parent of a dependent student) if IRS does not send RTFTP directly to school.

If applicant or dependent applicant's parent filed federal income tax information using TeleFile process (i.e., tax information filed by telephone), you may accept TeleFile Worksheet if:

1. Filer signs bottom of worksheet; and
2. Worksheet contains filer's six-digit IRS confirmation number in Section 21.

If tax return not available from tax filer or IRS, you may accept copy of Form W-2 for each person whose income is listed on application. If filer is self-employed or Form W-2 is unavailable, you may accept filer's signed statement certifying that income or other information is correct.

IRS Tax Extension Filers

If tax return not filed but filer granted an extension, school:

1. May accept alternative documentation listed on chart entitled "Required Verification Items and Acceptable Documentation"; and
2. Must reverify application when tax return is received.

Notes	Non-Tax Filers
	<p>If individual did not and was not required to file a tax return for base year, he or she must report income earned from work.</p>
	<p>Social Security Documentation</p>
	<p>For a dependent student, parents' reported Social Security benefits include benefits for other children or household members reported in family size only if parents received those benefits on behalf of other children or household members.</p>
	<p>Child Support</p>
	<p>School must verify amount of child support if:</p>
	<p>1. Child support was reported on application; or</p>
	<p>2. Child support was not reported on application but school believes it was received.</p>
	<p>If you believe child support information is inaccurate, you must request additional source documentation identified in chart entitled "Required Verification Items and Acceptable Documentation."</p>
	<p>Household Size</p>
	<p>For a dependent student, you may include:</p>
	<p>1. Dependent student's children if they receive or will receive more than half of their support from student's parent(s);</p>

Notes

2. Dependent student's unborn child if child will be born before or during award year and student's parent(s) will provide more than half of child's support throughout award year; and

3. Dependent student's sibling if:

- a. Sibling would be considered dependent for purposes of applying for Title IV assistance; or

- b. Sibling considered "independent" for Title IV aid purposes but lives with and receives more than half of his or her support from dependent student's parent(s); and

4. Other persons if they live with and receive more than half of their support from dependent student's parent(s) at the time of application and will continue to receive that support from July 1, 1997 to June 30, 1998.

For an independent student, you may include:

1. Independent student's spouse;
2. Independent student's unborn child if child will be born before or during award year and student will provide more than half of child's support throughout award year;
3. Independent student's dependent children if they receive or will receive more than half of their support from student throughout award year; and

Notes

4. Other persons if they live with the independent student and receive more than half of their support from the independent student (and spouse if married) at the time of application and will continue to receive that support from July 1, 1997 to June 30, 1998.

For divorced or separated independent students and parents of dependent students, you may include children not living with independent student or dependent student's parents if independent student or dependent student's parents provide more than half of child's support. You must count income benefits (such as Social Security or Aid to Families with Dependent Children [AFDC] payments) received in child's name as support.

Number in Postsecondary Education

Count only individuals included in household size and enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an eligible Title IV postsecondary school.

If you question accuracy of verification information provided, you must obtain a statement from each postsecondary school listed, verifying that individual in question is or will be enrolled at least half-time.

Group Discussion 1



Documentation Requirements

- ◆ Joint Tax Returns
- ◆ Filing an Extension
- ◆ IRS Missing Tax Return

Exercise A

Background: Regina, 20, lives with her mother, Faye, and her 10-year-old brother, Alex. Faye is recently divorced from her third husband and receives no income from him. Faye received full ownership of the home. The couple had no other assets. Regina completed the FAFSA using her mother and stepfather's income information. Her SAR has been selected for verification. On the verification worksheet, the household size is listed as 3 with 1 in college. Her mother reported her marital status as divorced and submitted a copy of her federal tax return showing that she filed jointly with her ex-husband. Faye's earned income is \$25,350, the joint AGI on the tax return is \$62,720, and the joint tax paid is \$10,379.

Question: What steps should be used by the financial aid officer to divide Faye's joint income for verification purposes?

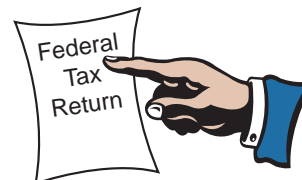


Exercise B

Background: Ricardo, 27, is married and attends school part-time. He and his wife, Carmen, have not filed their federal tax return. They filed for an extension, which was granted. Ricardo completed the FAFSA using their estimated income and was selected for verification.

Ricardo submitted a verification worksheet, copies of their W-2 statements, and a copy of IRS Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return, to the financial aid office. Two months later, Ricardo filed his federal tax return.

Question: Is Ricardo required to submit a copy of his federal tax return to the financial aid office?



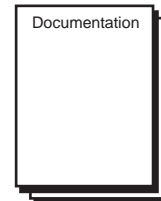
Group Discussion 1 (cont'd)

Exercise C

Background: Joyce, 26, is single with no dependents. She lives with her parents and works as a waitress part-time while attending evening classes. Last year, Joyce filed her tax return electronically on her home computer. She completed her FAFSA based on the tax information stored in her computer and has been selected for verification.

A month ago, a virus entered her computer and she no longer has a copy of her federal tax return. She contacted the IRS for a copy of her federal tax return, and the IRS cannot locate her tax records.

Question: What kind of documentation must Joyce submit to the financial aid office for verification review?



Group Discussion 1

Answers



Exercise A

The financial aid officer must use the joint tax return and all relevant W-2 statements to determine the individual income and taxes paid. If we assume no other income or adjustments to Faye's joint income tax return, her AGI is \$25,350.

To calculate the taxes paid on the individual AGI, two methods are available: the IRS Tax Rate Schedule or the Proportional Distribution method.

Using the IRS Tax Rate Schedule, select the deduction status (head of household) and number of exemptions the individual could have claimed on a separate tax return. Use tax schedules to determine how much tax the individual would have paid on the calculated amount, taking into account any applicable credits.

Using the Proportional Distribution method, calculate what percentage of the joint AGI was attributable to the individual and then assess the joint tax paid by that same percentage. Faye's calculated income is \$25,350, the joint AGI on the tax return is \$62,720, and the joint tax paid is \$10,379. Faye's income percentage total of \$25,350 divided by the joint AGI of \$62,720 equals .404. The proportional percentage (.404) multiplied by the joint tax paid (\$10,379) equals \$4,193 estimated taxes paid.

$$\$25,350 \div \$62,720 = .404 \times \$10,379 = \$4,193$$



Group Discussion 1 Answers (cont'd)

Exercise B

Yes. In addition to supplying the W-2 statements and the IRS Form 4868, Ricardo is required to submit a copy of the tax return(s) when filed. The school has the option of making an interim disbursement if it has no reason to believe that the data are inaccurate. An applicant who fails to submit a copy of the filed tax return(s) or alternative documentation before the documentation deadline is ineligible to receive federal student aid and is required to repay any aid disbursed.

Once the applicant has submitted the tax return or alternative documentation, the required income data elements should be reverified. If the verified information is different than the original application data and the tolerance option cannot be used, the school must either recalculate or reprocess the SAR/ISIR. If the scheduled award increases, the school may either continue to pay the student on the original SAR/ISIR or wait for the reprocessed EFC. If the applicant's scheduled award decreases, you must withhold payment until you have a reprocessed EFC. If an interim disbursement has been made and the applicant was overpaid, the school must adjust subsequent disbursements to the applicant, require the student to repay the amount overpaid, or require the student to make repayment arrangements. If the payment is not recovered using any of these methods, the school must reimburse the program fund within 60 days following the applicant's last day of enrollment or by the last day of the award year, whichever comes first.

Exercise C

If Joyce does not have a copy of the electronic tax return and IRS cannot provide a copy of the return, a Letter 1722, or an RTFTP, you may accept a copy of the IRS Form W-2.

Notes

[illegible]

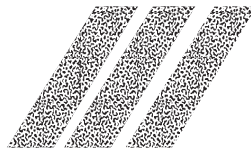
Chart on following page identifies untaxed income and benefits that should not be reported on application.

EXCLUDED INCOME SOURCES

Income sources which should not be reported on the application:

- ❖ Student financial aid
- ❖ Food Stamp Program
- ❖ Food Distribution Program
- ❖ Heating and fuel assistance under the Low-Income Home Energy Assistance Act
- ❖ National School Lunch and School Breakfast programs
- ❖ Commodity Supplemental Food Program (CSFP)
- ❖ Special Milk Program for Children
- ❖ Daycare provided by the Social Services Block Grant Programs
- ❖ Rent subsidies for low-income housing
- ❖ Rollover pensions
- ❖ JTPA benefits up to \$2,000; excess must be reported
- ❖ Veterans Educational Benefits
- ❖ Payments and services received from states for foster care or adoption assistance under Part A or Part E of Title IV of the Social Security Act
- ❖ Per capita payments to Native Americans up to \$2,000; excess must be reported

Group Discussion 2



Discretionary Verification ♦ Assets

Exercise A

Background: Darryl, 25, is single and unemployed. He lives with his parents while attending graduate school. Darryl's grandfather died last year and left Darryl \$25,000 in a trust fund with the restriction that he cannot receive the money until after finishing graduate school. He does not have a checking or savings account. His sole source of income is the interest from his trust fund.

Darryl completed his FAFSA with \$2,500 AGI as his income, which is the interest income from the trust fund and \$0 in assets. Darryl was selected for verification, and the financial aid administrator questioned the interest income on his tax return.

Question: How would you handle the money from the trust fund?

Exercise B

Background: Joseph, 30, is divorced and a graduate student. He and his ex-wife, Marla, jointly owned a home, a small art collection, a race horse, 100 shares of stock in Apple Computers, \$10,000 in a Certificate of Deposit (CD), a \$5,000 mutual fund, and a multi-unit rental apartment building in Palm Springs. As part of the divorce settlement, Joseph received the house in which he resides, the race horse, and the \$5,000 mutual fund; Marla received everything else. However, Marla has taken Joseph back to court. She wants Joseph to sell the house, liquidate the mutual fund, and split the proceeds with her. Joseph refuses to sell. Since Marla is contesting the original divorce settlement, the court has frozen his assets. Neither the house nor the mutual fund can be sold and Joseph cannot borrow against them.

Joseph completed the FAFSA listing \$0 for other real estate and investments. He was selected for verification, and the financial aid counselor questioned the assets reported on the joint tax return but not on the FAFSA.

Question: How would you review Joseph's assets?



Group Discussion 2

Answers



Exercise A

Generally, the present value of the trust fund must be reported as an asset, even if the beneficiary's access to the trust is restricted. The way the trust must be reported varies according to whether the student receives or will receive the interest income, the trust principal, or both. Since the student only receives the interest from the trust, the interest is reported as income. The principal amount, \$25,000, is reported as an asset.

Exercise B

Assets that are being contested should not be reported on the FAFSA, so the value of the mutual fund should not be reported. If the ownership of the mutual fund is resolved after the application is filed, Joseph is not required to update this information on his application. The value of the principal residence is never reported on the FAFSA. The current value of the race horse should be reported as other real estate and investments, and any loans taken out for which the horse was used as collateral should be reported as investment debt.

Notes

PROFESSIONAL JUDGMENT

Professional Judgment

- ◆ Base-year data elements must be verified
- ◆ Conflicting data must be resolved
- ◆ Documentation of professional judgment is required for applicant's file



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Prior to making a professional judgment adjustment, you must verify required data elements and resolve conflicting data.

Projected-year income need not be verified. The verification documentation and the applicant's special circumstances must be noted and maintained in the applicant's file.

Group Discussion 3

Professional Judgment

Exercise A

Background: Penny, 20, lives with her mother and father. Her father, Archie, works at a shoe factory and earns \$25,000 annually. Penny's mother, Edith, is a housewife. Penny works part-time at a local department store and earns \$10,000 annually.

Penny completed her Renewal FAFSA in February. Her application was selected for verification by the CPS. Penny submitted a verification worksheet and tax returns for herself and her parents in March. In April, Archie and Edith were divorced. Archie left town and has not communicated with Penny since he left. Edith became severely depressed and has been hospitalized indefinitely. Penny still lives in and maintains her parents' home.

Penny would like her financial aid application to be re-evaluated.

Question: How would you review Penny's file?



Exercise B

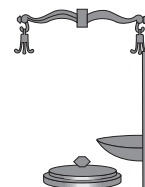
Background: Susie is a 35-year-old single parent with a 10-year-old son. She completed a 2-year training program at the Wells Institute of Culinary Arts. After working a year, Susie decided to return to school to earn a bachelor's degree in nutrition. She will be a full-time student working part-time as a cafeteria cook.

Last year, Susie won \$100,000 playing Powerball. Susie paid off \$20,000 in Federal Stafford and Federal Perkins loans and put \$50,000 in a court-restricted trust fund for her son, who is paraplegic and requires special services. She used the rest of her winnings to buy a home.

Susie completed her FAFSA in January showing the \$100,000 Powerball winning, which was taxable income and included in her AGI. She was selected for verification by her school and submitted the required documentation. She was denied a Subsidized Federal Direct Loan. She does not want an Unsubsidized Federal Direct Loan.

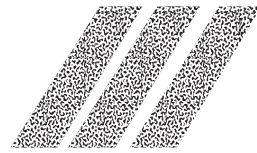
Because she no longer has the money, she would like the financial aid administrator to re-evaluate her application based on her expected annual income of \$20,000.

Question: How would you review Susie's file?



Group Discussion 3

Answers



Exercise A

Penny could be re-evaluated as an independent student. She is no longer receiving financial support from her parents as her father's whereabouts are unknown and her mother is hospitalized and has no source of income. Also, Penny is working and maintaining her parents' home, which further demonstrates her self-reliance.

Penny could also remain a dependent student. Her parents' marital status could be taken into consideration. Her father's income could be excluded from the analysis and replaced with her mother's estimated income for the current year.

Exercise B

The financial aid administrator may decide to reduce the base-year AGI by the amount of money the student used to repay her previous loans as well as for any unusual medical expenses the student may have incurred for her son. The EFC could then be recalculated based on the reduced AGI.

The financial aid administrator may decide to reduce the AGI by the amount that Susie spent on her home since home value and debt are normally excluded from the EFC calculation.

The financial aid administrator may decide to deny Susie's request, since Susie could have saved some of her winnings for her own education.

VERIFICATION RESULTS**Notes**

Verification Results
<ul style="list-style-type: none"> ◆ No errors in applicant data; or ◆ Changes in applicant data
<div style="display: flex; justify-content: space-between;"> January 21, 1997 5-14 </div>

No Errors in Applicant Data

If all applicant information is correct, you may:

1. Disburse Federal Pell Grant, FSEOG, and Federal Perkins Loan funds;
2. Employ students under the Federal Work-Study (FWS) Program;
3. Originate Direct Subsidized Loans or disburse loan proceeds; and/or
4. Certify Subsidized Federal Stafford Loan applications or deliver loan proceeds.

Changes in Applicant Data

If applicant information is incorrect and changes are to dollar items only, you may apply a \$400 net tolerance option. Corrections need not be submitted to CPS if “net” error is less than or equal to \$400.

Notes

If “net” error and/or changes to nondollar items are greater than \$400, you must:

1. Recalculate student’s EFC; or
2. Submit corrections through CPS for reprocessing.

\$400 Net Tolerance Option

$$\begin{array}{rcl}
 & \text{Total corrected income} & \\
 \text{MINUS} & \text{Total uncorrected income} & \\
 \hline
 \text{EQUALS} & \text{Dollar change amount} \leq \$400 &
 \end{array}$$

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For dependent students, total corrected income and total uncorrected income include both student’s and parents’ income.

*Campus-Based, Subsidized Federal Stafford Loan, and
Federal Direct Loan Programs*

Notes

**Campus-Based, Subsidized
Federal Stafford, and Direct Loans**

- ◆ If tolerance option applies and net error is within \$400 tolerance
 - Payment of campus-based funds and/or certification of Subsidized Federal Stafford or origination of Direct Loan is allowed
- ◆ If tolerance option does not apply or net error exceeds the \$400 tolerance
 - EFC must be recalculated
 - School may recalculate or resubmit to CPS

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If tolerance option does not apply or “net” error exceeds \$400 tolerance, EFC must be recalculated.

For campus-based, Federal Stafford Loan, and Federal Direct Loan programs, school need not submit corrections to CPS and may recalculate EFC itself.

However, if school miscalculates EFC, school is liable for any overpayment that occurs.

If school recalculates EFC and:

1. There is no effect on aid package, school may make payment (or remaining disbursements);
2. Student’s need increases, school may increase student’s award;

Notes

3. Recalculation results in an overaward under campus-based programs or decreased Direct Loan or FFEL eligibility, school must adjust student's aid package to eliminate overaward in the following manner:
 - a. If school has not received Subsidized Federal Stafford Loan or Federal Direct Loan, school may eliminate overaward by adjusting campus-based aid or, if applicable, Federal Stafford Loan or Federal Direct Loan eligibility, or
 - b. If school has undelivered Federal Stafford Loan or Federal Direct Loan proceeds, school must:
 - 1) First adjust amount of student's Federal Stafford Loan or Federal Direct Loan eligibility and then, if necessary, student's campus-based aid; and
 - 2) Notify student and, if applicable, student's lender or servicer of any adjustments in student's award.

Federal Pell Grant Program

Notes

Federal Pell Grant Program

- ◆ Payment may be made on uncorrected SAR or ISIR if:
 - \$400 net tolerance option applies; or
 - EFC recalculated and scheduled award does not change

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Federal Pell Grant Program (cont'd)

- ◆ If tolerance option does not apply or net error exceeds \$400 tolerance, school has several options:
 - To require all corrections submitted to CPS with payment made only on corrected SAR or ISIR
 - To recalculate EFC and base payment on original SAR or ISIR if award does not change

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Notes

Federal Pell Grant Program (cont'd)

- To withhold payment on the original SAR or ISIR if recalculation shows award increases, to require CPS reprocessing, and to pay on corrected SAR or ISIR; or
- To make payment on original SAR or ISIR if recalculation causes award to increase (School must pay lower amount based on original CPS-calculated EFC.)

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School must submit corrections to CPS if recalculation:

1. Increases Pell Grant award and school wants to pay the increased amount; or
2. Decreases Pell Grant award.

If school miscalculates EFC and pays (based on miscalculated EFC) a higher Pell Grant award than student should receive, school is liable for overpayment.

Example 4

Tolerance Options



◆ Within Tolerance Option

Objective

- ◆ To illustrate how to calculate total dollar changes using the tolerance option.

Example 4

- ◆ Edgar is an independent student selected for verification. His original application reported the following information:

AGI (student)	\$32,730
Untaxed income	+ 485
Taxes paid	- 6,590
Original total	<u>\$26,625</u>

- ◆ After verification of the application, there was one change to the amount of untaxed income reported. Based on this correction, the calculation of the total dollar amount is as follows:

AGI (student)	\$32,730
Untaxed income	+ 820
Taxes paid	- 6,590
Correct total	<u>\$26,960</u>

- ◆ The calculated net difference between the correct information and the original application information is:

$$\text{Net difference: } \$26,960 - \$26,625 = \$335$$

- ◆ If there are only dollar errors and the difference between the correct and incorrect totals is \$400 or less, the application is within tolerance and does not need to be reprocessed.

Example 5

Tolerance Options



◆ Outside Tolerance Option

Example 5

- ◆ Alan is a dependent student. His original application showed the following information:

Parent

AGI		\$20,000
Untaxed income	+	3,000
Taxes paid	-	700
Total		\$22,300

Student

AGI		\$4,500
Untaxed income	+	0
Taxes paid	-	500
Total		\$4,000

Total combined parent and student income: \$26,300

- ◆ After verification of the application, documentation revealed corrections to parent untaxed income and parent and student taxes paid. Based on these corrections, the calculation of the total dollar amount is as follows:

Parent

AGI		\$20,000
Untaxed income	+	2,500
Taxes paid	-	0
Total		\$22,500

Student

AGI		\$4,500
Untaxed income	+	0
Taxes paid	-	0
Total		\$4,500

Total combined parent and student income: \$27,000


- ◆ The calculated net difference between the correct information and the original application information is:

Net difference: $\$27,000 - \$26,300 = \$700$

- ◆ The total dollar error of the combined parent and student incomes exceeds the tolerance limit of \$400. The student's data must be reprocessed.

UPDATING REQUIREMENTS

Notes

Updating Requirements
<ul style="list-style-type: none"> ◆ Dependency status ◆ Household size ◆ Number enrolled in postsecondary education

<small>January 21, 1997</small> <small>5-20</small>

UPDATING REQUIREMENTS

Data Element	Selected for Verification	Not Selected for Verification
Dependency Status*	Applicants must update this item if it changes at any time during the award year.	
Household Size**	Applicants must update these items to be correct at the time of verification.	Applicants cannot update these items if they change during the award year.
Number in Postsecondary Education**		

* Cannot update if the change is due to marital status or the school has already originated a Direct Loan or certified a Federal Stafford Loan.

** Cannot update if these items change because of a change in marital status.

Notes

Dependency Status

Unless one of following exceptions applies, you must update dependency status if it changes at any time during award year.

Exceptions to Dependency Status

- ◆ Cannot update due to change in marital status
- ◆ Cannot update once school has originated Direct Loan or certified Subsidized Federal Stafford Loan

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Household Size and Number in Postsecondary Education

Exceptions to Household Size and Number in College

- ◆ Selected for verification: Data **must** be accurate as of date of verification.
- ◆ Not selected: Data **cannot** be updated if changes occur during award year.



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You may not update household size or number in postsecondary education if change in dependency status results from change in student's marital status.

Group Discussion 4



Updating Exercises

- ◆ Dependency Status
- ◆ Household Size
- ◆ Number in Postsecondary Education

Exercise A

Background: Sherry is 19, single, and lives with her mother and father. She completed her FAFSA as a dependent student, reporting both parents' income and asset information. Sherry was selected for verification by the CPS, and verification review was completed by the school. Sherry recently married her high school boyfriend and moved out of her parents' home.

Question: Can Sherry update her dependency status based on her new marital status and living arrangements during the current application award year?

Exercise B

Background: Jackie is 41-years-old, married, and a full-time student. She completed her FAFSA in February, listing her household size as 4: herself; her husband, Bruce; and her 18-year-old twins, Harold and Henry. Jackie reported the number in postsecondary education as 3: herself and her sons. Jackie's application was not selected for verification by the CPS or by the school.

During fall quarter, Jackie's 19-year-old stepson, Karl, moved into her household. He attends the local community college full-time. Also, both Harold and Henry withdrew from their college classes and enlisted in the Army. The household size is now 3, with 2 in postsecondary education.

Question: Can Jackie update her application during this current award year?



Group Discussion 4 Answers



Exercise A

No. Sherry is ineligible to update her marital status. Regulations do not permit a change in dependency status due to the student's change in marital status from single to married.

If Sherry provides documentation, the financial aid administrator may use professional judgment to adjust the student's cost of attendance since she is no longer living at home.

Exercise B

No. Jackie may not update. An applicant who is not selected for verification by the CPS or the school cannot update household size or number in postsecondary education.

Notes

[illegible][illegible][illegible]

Group Discussion 5



Verification Status Codes

- ◆ Choosing the appropriate code

Objective

To illustrate the selection of verification status codes for Federal Pell Grant.

Task

Determine the appropriate verification code for each exercise listed.

Exercise A

Jane is a dependent student. Her SAR was selected for verification by the CPS. A review of her file shows incorrect data. The dollar corrections are within the \$400 tolerance limit; however, the number in college increased. The EFC was recalculated by the financial aid officer. The recalculated EFC remains unchanged.

Exercise B

Daniel is an independent student. His SAR has been selected for verification by the school. A review of the student's file shows one change in data. The federal taxes paid were originally reported as \$150, and the correct amount is \$0. The household size and number in college remain the same.

Exercise C

Yvette is an independent student. Her SAR was selected for verification by the CPS. The school did not verify the SAR because it had already reviewed 30% of its total applicants for federal student aid. The school paid the student for the full academic year.

Exercise D

Franklin is a dependent student. His SAR was selected for verification by the CPS. His file has not been reviewed by the financial aid office. However, the school has decided to disburse the fall semester payment because the information on Franklin's application appears to be accurate.

Group Discussion 5

Answers



Exercise A

Jane s verification status code is C – Calculated.

The changes on the SAR did not meet the tolerance option requirements as there was a non-dollar amount change. The SAR was recalculated, and the EFC remains the same.

Exercise B

Daniel s verification status code is T – Tolerance.

The dollar amount change was within the \$400 limit, and there were no nondollar changes. Also, if a SAR is not selected for verification by the CPS but the school verifies the SAR/ISIR information anyway, the verification status code applicable to the outcome of the verification review must be used.

Exercise C

Yvette s verification status code is S – Selected/Not Verified.

The school either participates in the QA Program or it has already verified at least 30% of its total applications for federal student assistance.

Exercise D

Franklin s verification status code is W – Without Documentation.

Verification is required, but the process has not been completed. The school has chosen to make a first disbursement; however, verification must be completed before the next disbursement is made.

Group Discussion 6

Exercise A

Background: Chelsea, 18, has lived all of her life with her mother, her younger brother, and two younger sisters. Her parents are married; however, for the past 18 months, they have no longer considered themselves a married couple. They consider themselves separated, as the father now lives in the guest bedroom of the house and contribute jointly to the maintenance of the household. The father will move out of the house once he fulfills some financial obligations. Chelsea's mother works and filed a tax return with the status Married-Filing Separate and claimed Chelsea and her brother. Chelsea's father filed a tax return with the status Married-Filing Separate and claimed Chelsea's two sisters. The parents jointly own their home but have separate bank accounts.

Chelsea filed a FAFSA reporting her mother's marital status as married, a family size of 5 (mother, applicant and all children, but not the father), and 1 in college, (Chelsea). She was selected for verification, and she provided a written explanation of her parents' marital status to the financial aid office.

Her older brother, Franco, lives with his sister and mother. The family lives in an apartment that the family lives in. The father files a tax return as Head of Household, claiming two dependents.

Chelsea's brother's income was reported on the FAFSA, and reported the family size as 3. During verification, listed her brother in the family size on the FAFSA. She provided a copy of his tax return.

What corrections would you make in verifying Reva's application?

Group Discussion 6

Answers



Exercise A

The Counselor's Handbook (1996-97), page 69, gives the following definition of separated parents: If a separation has occurred, the same rules as for a divorce should be used to determine which parent's information must be reported. The separation need not be a legal separation—the student's parents may consider themselves separated when one of the parents has left the household for an indefinite period of time and no longer makes a substantial contribution to the finances of the household. However, if the parents still live in the same house, they would not be considered separated, and information for both parents must be reported. Because Chelsea's parents still live in the same house and contribute jointly to the maintenance of the household, the parents are considered married for federal financial aid purposes. The application must be verified using both parents' income and asset information. Also, the household size should be changed to 6 to include the father.

Exercise B

The brother's income should not be reported on the application. Also, since the brother does not receive at least one-half of his support from the mother, he should not be included in the family size. Any cash support received by the mother from the brother should be reported as the parents' other untaxed income and benefits. Also, if Reva received cash support from her brother, the amount received should be reported as her other untaxed income.

Notes

CASE STUDIES

The following verification case studies require you to resolve conflicting information and to identify the required adjustments if verification results in changes to the applicant's data. The first case study involves a dependent student, and the second case study involves an independent student.

Case Study 1

Bette Mason



- ◆ Dependent student
- ◆ Parent & child attend college
- ◆ Parent receives federal student financial aid & untaxed income

Objective

To illustrate how to complete the verification process when both parent and child are students and the dependent student reports parental income.

School Information

- ◆ The RCA Institute of Music selected Bette Mason for verification. The school does 100% verification.
- ◆ The school received the SAR, the parent's signed federal tax return, and a signed verification worksheet.
- ◆ Bette received a tentative award offer of \$2,470 in Federal Pell Grant funds.

Student Information

- ◆ Bette Mason is a freshman at The RCA Institute of Music.
- ◆ Bette does not work. Last year, she received \$600 from her grandfather for transportation to school and lunch money.

Parent Information

- ◆ Bette's mother, Patti, is a sophomore at Sony Community College and will enroll for one 4-credit-hour class this fall.
- ◆ Patti is a widow and receives her husband's pension of \$18,000 annually from the Yugo Motor Company.
- ◆ Last year, Patti received \$6,000 in Federal Pell Grant, SSIG, and FWS. She earned \$2,500 working part-time in the library at Sony Community College under the FWS Program.
- ◆ Last year, Patti received \$5,000 from the state foster care service for the care of Billy, a 9-year-old foster child who still resides with the family, and \$600 from the Women, Infants, and Children (WIC) Program.
- ◆ Patti also receives \$400 in Section 8 monthly rent subsidy.



Case Study 1 (cont'd)

Tasks

- ❖ Review the case study using the attached SAR and verification documentation. Complete the analysis using the Verification Review Sheet.
- ❖ Calculate the changes using the tolerance option.
- ❖ Determine the verification status codes.



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1997-98 VERIFICATION REVIEW SHEET

Name: _____ SS# _____ EFC _____

SAR/ISIR Transaction Code _____ Verification reviewed by: _____ Date: _____

<u>Data Element</u>	<u>Original Data</u>	<u>Verified Data</u>	<u>Change/Source</u>
Status (D/I)	_____	_____	_____
Household size	_____	_____	_____
Number in college	_____	_____	_____
AGI	_____	_____	_____
Taxes Paid	_____	_____	_____
Income Earned from Work (Non tax filers only)	_____	_____	_____
Earned Income Credit	_____	_____	_____
Social Security Benefits	_____	_____	_____
AFDC/ADC	_____	_____	_____
Child Support	_____	_____	_____
Other Untaxed Income	_____	_____	_____
Other _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Dep. AGI	_____	_____	_____
Dep. Taxes Paid	_____	_____	_____
Dep. Income Earned from Work (Non-tax filers only)	_____	_____	_____
Social Security Benefits	_____	_____	_____
Other Untaxed Income	_____	_____	_____
Other _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Review StatusIncomplete; Additional data needed ☐ Yes ☐ No

Verification complete: _____ (date)

•Within tolerance ☐ Yes ☐ No•Data recalculated ☐ Yes ☐ No•Reprocessing required ☐ Yes ☐ No

Recalculated EFC: _____

Verification status code: _____

Comments: _____

Case Study 1 Solution

Bette Mason



Review the case study using the attached SAR and verification documentation. Complete the analysis using the Verification Review Sheet.

- *Household Size/Number in Postsecondary Education*

Incorrect information is reported on the SAR and on the verification worksheet. The foster child, Billy, was reported in the household size. He receives more than half of his support from the state agency. For financial aid purposes, Billy should not be included in the household size. The correct household size is 2.

The number in postsecondary education reported on the SAR and on the verification worksheet is incorrect. Patti will be attending Sony Community College less than half-time during the fall; therefore, she should not be included in the number in college. The correct number in postsecondary education is 1.

- *Income Reported*

The information reported on the SAR and on the verification worksheet conflicts with actual income that should be reported for financial aid purposes. The changes are as follows:

- 1.) On the SAR, the AGI is reported as \$11,000. The verification worksheet lists Bette's mother as earning \$2,500 from FWS. Although FWS is excluded from the formula when the EFC is calculated, the AGI of \$13,500 should be reported as it appears on the tax return.
- 2.) The amount of tax paid was misreported. On the SAR, the amount of tax withheld was reported rather than the amount of tax paid. The correct amount is \$411 from Line 28 of the federal tax return.
- 3.) On the SAR, the Earned Income Credit was not reported. The \$1,745 listed on the federal tax return should be reported on the SAR in Item 59.
- 4.) The SAR lists \$18,000 as parents' other untaxed income. The federal tax return shows that a portion of the pension was taxed. Therefore, the difference between the amount reported and the amount taxed should be reported as untaxed income:
 $\$18,000 - \$11,000 = \$7,000$ in untaxed income from the reported pension income.

The verification worksheet lists the following untaxed income:

- * \$5,000 from the state agency for foster care;
- * \$600 from WIC; and
- * \$4,800 from Section 8 rent subsidy.

Case Study 1 Solution (cont'd)

None of these resources should be reported as income. All are excluded; they should not be reported when applying for federal student financial aid. (See page 30 of the *1996-97 Verification Guide* and page 75 of *The Counselor's Handbook, 1996-97.*)

Bette's untaxed income of \$600 from her grandfather is correct. There are no conflicts.

Calculate the changes using the tolerance option.

The tolerance option cannot be used because there is a change in the household size and number in postsecondary education.

The financial aid administrator has the option of recalculating the student's EFC using the correct data or submitting the corrections to the CPS for reprocessing. If the school chooses to recalculate and the corrections do not change the Pell award or the corrections increase the original scheduled award, the SAR does not have to be reprocessed and the school may pay the applicant based on the original EFC. If the corrections increase the Pell award and the school wishes to pay the increased amount, the SAR must be corrected and reprocessed. However, the school may either make a first payment based on the original EFC or withhold payment until the reprocessed SAR is received. Last, if the corrections decrease the original scheduled award, the data must be corrected and reprocessed. The school must withhold Pell payment until a reprocessed SAR is received.

Determine the verification status codes.

The verification status code will be "R" (Reprocessed) if the SAR/ISIR is reprocessed. If the data are recalculated by the financial aid administrator and the corrections do not change the original award or the award increases and the increased amount is not paid, the verification status code will be "C" (Calculated).

1997-98 VERIFICATION REVIEW SHEET

Name: Bette Mason SS# 503-03-0005 EFC 0SAR/ISIR Transaction Code 01 Verification reviewed by: E. Smith Date: 6/14/97

Data Element	Original Data	Verified Data	Change/Source
Status (D/I)	<u>D</u>	<u>D</u>	
Household size	<u>3</u>	<u>2</u>	<u>yes/worksheet</u>
Number in college	<u>2</u>	<u>1</u>	<u>yes/worksheet</u>
AGI	<u>11,000</u>	<u>13,500</u>	<u>2,500/1040A</u>
Taxes Paid	<u>520</u>	<u>411</u>	<u>109/1040A</u>
Income Earned from Work (Non tax filers only)			
Earned Income Credit	<u>0</u>	<u>1,745</u>	<u>1,745/1040A</u>
Social Security Benefits			
AFDC/ADC			
Child Support			
Other Untaxed Income	<u>18,000</u>	<u>7,000</u>	<u>11,000/1040A</u>
Other _____			
<u>1996 amt from line 5, } Worksheet 3</u>	<u>0</u>	<u>2,500</u>	<u>2,500/Worksheet</u>
Dep. AGI			
Dep. Taxes Paid			
Dep. Income Earned from Work (Non-tax filers only)			
Social Security Benefits			
Other Untaxed Income	<u>600</u>	<u>600</u>	
Other _____			

Review StatusIncomplete; Additional data needed ☐ Yes ☐ NoVerification complete: 6/14/97 (date)•Within tolerance ☐ Yes ☒ No•Data recalculated ☐ Yes ☒ No•Reprocessing required ☒ Yes ☐ No

Recalculated EFC: _____

Verification status code: R

Comments: _____

Case Study 2

Sybil Sharp



- ◆ Independent student
- ◆ Married at the time of application
- ◆ Reported single income

Objective

To illustrate how to complete the verification process when a student fails to report joint income.

School Information

- ◆ The CPS verification edits selected Sybil Sharp for verification.
- ◆ Brooks College received the SAR, signed federal tax returns for the applicant and spouse, and a signed verification worksheet.

Student Information

- ◆ Sybil Sharp is a junior at Brooks College.
- ◆ Sybil is recently married and lives with her husband and 12-year-old son from her first marriage.
- ◆ Sybil was not married during the base year. She completed the FAFSA 3 months after she got married. She did not report her spouse's income and asset information.

Tasks

- ◆ Review the case study using the attached SAR and verification documentation. Complete the analysis using the Verification Review Sheet.
- ◆ Calculate the changes using the tolerance option.
- ◆ Determine the verification status code.



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1997-98 VERIFICATION REVIEW SHEET

Name: _____ SS# _____ EFC _____

SAR/ISIR Transaction Code _____ Verification reviewed by: _____ Date: _____

<u>Data Element</u>	<u>Original Data</u>	<u>Verified Data</u>	<u>Change/Source</u>
Status (D/I)	_____	_____	_____
Household size	_____	_____	_____
Number in college	_____	_____	_____
AGI	_____	_____	_____
Taxes Paid	_____	_____	_____
Income Earned from Work (Non tax filers only)	_____	_____	_____
Earned Income Credit	_____	_____	_____
Social Security Benefits	_____	_____	_____
AFDC/ADC	_____	_____	_____
Child Support	_____	_____	_____
Other Untaxed Income	_____	_____	_____
Other _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Dep. AGI	_____	_____	_____
Dep. Taxes Paid	_____	_____	_____
Dep. Income Earned from Work (Non-tax filers only)	_____	_____	_____
Social Security Benefits	_____	_____	_____
Other Untaxed Income	_____	_____	_____
Other _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Review StatusIncomplete; Additional data needed ☐ Yes ☐ No

Verification complete: _____ (date)

•Within tolerance ☐ Yes ☐ No•Data recalculated ☐ Yes ☐ No•Reprocessing required ☐ Yes ☐ No

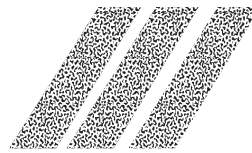
Recalculated EFC: _____

Verification status code: _____

Comments: _____

Case Study 2 Solution

Sybil Sharp



Review the case study using the attached SAR and verification documentation. Complete the analysis using the Verification Review Sheet.

There is a conflict in the income information reported. Sybil did not report her husband's income on the FAFSA because she was not married during the base year. Sybil was married at the time she completed her FAFSA; therefore, she must report her spouse's income information.

Sybil incorrectly reported income for the following data items:

AGI	\$22,500
Social Security benefits	\$0
Earned income credit	\$147
Other untaxed income	\$1,000
Taxes paid	\$1,759

The correct amounts based on the combined income reported on the tax returns of Sybil and her husband Winston are:

AGI	\$48,500
Social Security benefits	\$2,400
Earned income credit	\$147
Other untaxed income	\$3,000
Taxes paid	\$4,703

There were no other changes.

Calculate the changes using the tolerance option.

The original data:	AGI	\$22,500
	Social Security benefits	+ 0
	Earned income credit	+ 147
	Other untaxed income	+ 1,000
	Taxes paid	- 1,759
	Total	\$21,888
The corrected data:	AGI	\$48,500
	Social Security benefits	+ 2,400
	Earned income credit	+ 147
	Other untaxed income	+ 3,000
	Taxes paid	- 4,703
	Total	\$49,344
The net difference:	Original data	\$ 21,888
	minus corrected data	- 49,344
	Net difference	\$27,456

Case Study 2 Solution (cont'd)

The net difference of the dollar amounts is \$27,456, which exceeds the \$400 tolerance limit.

For the Federal Pell Grant Program, the income corrections must be entered on Part 2 of the SAR and mailed to the CPS or reported through the electronic corrections process using the EDE system.

For other programs, the school may recalculate the EFC itself.

Determine the verification status code.

When the school receives the corrected SAR/ISIR, the verification status code will be "R" (Reprocessed) since the changes were not within tolerance and the SAR/ISIR had to be reprocessed.

1997-98 VERIFICATION REVIEW SHEET

Name: _____ SS# _____ EFC _____

SAR/ISIR Transaction Code _____ Verification reviewed by: _____ Date: _____

<u>Data Element</u>	<u>Original Data</u>	<u>Verified Data</u>	<u>Change/Source</u>
Status (D/I)	_____	_____	_____
Household size	_____	_____	_____
Number in college	_____	_____	_____
AGI	_____	_____	_____
Taxes Paid	_____	_____	_____
Income Earned from Work (Non tax filers only)	_____	_____	_____
Earned Income Credit	_____	_____	_____
Social Security Benefits	_____	_____	_____
AFDC/ADC	_____	_____	_____
Child Support	_____	_____	_____
Other Untaxed Income	_____	_____	_____
Other _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Dep. AGI	_____	_____	_____
Dep. Taxes Paid	_____	_____	_____
Dep. Income Earned from Work (Non-tax filers only)	_____	_____	_____
Social Security Benefits	_____	_____	_____
Other Untaxed Income	_____	_____	_____
Other _____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Review Status